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A RAND NOTE

Contrasts in African Development: The Economies of Kenya and Ethiopia, 1975–1984

Paul B. Henze

April 1989

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This Note compares Kenyan and Ethiopian economic development during the crucial decade 1975-1984. Both countries experienced basic changes in leadership during the period--Ethiopia in 1974 and Kenya in 1978. The military junta (Derg) that seized power in Ethiopia abandoned pro-Western policies with the aim of building a Marxist-Leninist economy and political structure; the new Kenyan leadership remained pro-Western. Although both suffered because of petroleum price increases, drought, food shortages, and military threats, Kenya emerged from the decade with good prospects for economic growth to accommodate its increasing population. Ethiopia, on the other hand, made no significant economic progress. The situation clearly demonstrated the superiority of Kenya's mixed economy, which emphasized private initiative and peasant agriculture, over Ethiopia's Marxist-Leninist system.

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PREFACE

This Note compares Kenyan and Ethiopian economic development during the crucial decade 1975-1984. Both countries experienced basic changes in leadership during the period: Ethiopia in 1974, when Emperor Haile Selassie was deposed by a military junta which condemned his pro-Western orientation and turned quickly toward Marxism-Leninism and the Soviet Union; Kenya in 1978, when President Jomo Kenyatta died and was succeeded by his Vice President, Daniel arap Moi. The new leadership in Kenya, unlike that in Ethiopia, did not change the country's political orientation or its economic development policies. The experience of these two countries, which share more geographic characteristics than any others in Africa, thus provides a valuable comparison of a Marxist socialist development model and a Western-oriented system that combines state initiatives and regulation with capitalism and encourages domestic and foreign investment, private trade, and individual peasant farming.

Sources for this Note include the official statistical abstracts of both countries; reports of the World Bank and the U.S. Arms Control and Disarmament Agency; published and unpublished studies by native and foreign specialists working in and on both countries; and the author's discussions and impressions during visits to both countries in 1987 and 1988.

During the past year and a half the author has been occupied, *inter alia*, in economic research sponsored by the Office of the Under Secretary of Defense for Policy under the auspices of RAND's National Defense Research Institute, a Federally Funded Research and Development Center sponsored by the Office of the Secretary of Defense. This work has been carried on within the framework of the International Economic Policy Program under a project entitled "Study of the Economy of Revolutionary Ethiopia: Comparative Economic Performance and the Burden of Military Expenditures." While not a formal product of that research, which is being reported in other RAND studies, the present Note relates to it. An earlier version was presented to the Third Annual Conference on the Horn of Africa at the New School for Social Research, New York, May 1988.

SUMMARY

Until 1974 Ethiopia and Kenya followed a similar pattern of Western-oriented modernization. Both gave priority to broadly based economic development with the state dominating the expansion of infrastructure but giving strong encouragement to private enterprise in industry, trade and services, and individual initiative in agriculture. Both sought foreign investment. Kenya achieved substantially more economic dynamism than Ethiopia, however, with per capita GDP three times Ethiopia's level in 1974 and rates of industrial and agricultural growth double those of Ethiopia. Ethiopia's armed forces were five times larger than Kenya's at this time, and the country allocated 20.2 percent of its budget to defense compared with Kenya's 6.7 percent.

The military junta (Derg) that seized power in Ethiopia in 1974 abandoned pro-Western policies with the aim of building a classic Marxist-Leninist economy and political structure. Kenya's leadership also changed in 1978, but not its political orientation. Development policies remained unchanged, but the government put increased emphasis on rapid growth of a relatively open economy and, especially, on expanding private agriculture.

During the decade 1975-1984, both Ethiopia and Kenya suffered from petroleum price increases and declining commodity prices. In both countries, bad weather adversely affected agriculture, culminating in severe drought in 1984. Meanwhile both countries had to deal with political and military threats from Somalia, which invaded Ethiopia in 1977. Massive Soviet-Cuban military assistance enabled Ethiopia to repulse the Somalis, but other insurgencies and rebellions worsened, exacerbated by the Derg's economic and political policies. Continued large-scale Soviet military assistance did not ease the increasingly heavy burden that maintenance of the largest standing army in Africa placed on Ethiopia's limited budgetary resources.

Commodity exports fell sharply. By the early 1980s, growth in both industry and agriculture in Ethiopia had declined to near stagnation while population kept increasing at a rate of almost 3 percent per year.

Kenya's population growth rate was even higher, but measures to spur economic growth in the early 1980s had a rapid effect. Increased emphasis on military preparedness did not result in significant economic strains. Flexible leadership, in contrast to the dogmatism that prevailed in Ethiopia, put the country in a strong position to face the drought that struck almost the entire agriculturally productive area of the country in 1984. Ethiopia

was less severely affected by drought than Kenya, but agricultural policies that discouraged peasants from producing, insurgency in much of the north, and indifference at the highest levels of government to the developing food crisis produced a major famine, which continued into 1985.

The effects of both countries' experience with drought and food shortage became apparent only in 1985. In 1985, Ethiopia's GNP fell 7.4 percent below that of 1984. Kenya's GNP registered 6.7 percent growth, well above its rate of population increase. While Kenya emerged from the decade in better condition to secure future economic growth, Ethiopia made no significant economic progress. The superiority of Kenya's mixed economy, which emphasized private initiative and peasant agriculture, over Ethiopia's Marxist-Leninist system was clearly demonstrated.

An appendix with eight statistical tables and comment provides extensive additional data to support the analysis provided in the Note.

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I. INTRODUCTION

WHY COMPARE ETHIOPIA AND KENYA?

Ethiopia and Kenya have more features in common than either has with any other African country. Geographically, both consist of temperate highlands surrounded by desert and tropical lowlands. The highlands have been the principal center of development and highland people the main source of economic and political dynamism in both countries.

The economy of each country is based on agriculture and animal raising, with a great variety of crops and methods of exploitation. Even with a rapidly increasing population, each has the potential to feed its people and simultaneously exploit agriculture as a source of ever-increasing export revenue. In the absence of major mineral discoveries, agriculture will have to be the basis of self-propelled economic development, with agricultural exports earning capital for investment in infrastructure and industry and agricultural production providing the basis for a wide range of domestic industry. Processed and manufactured goods, in turn, can not only meet domestic requirements but also provide a potential source of additional export earnings. In the absence of petroleum, the problem of securing dependable energy supplies for an expanding economy confronts both countries with similar challenges.

The large and rapidly increasing populations in each country represent both a risk and an opportunity. If each country can maintain a high enough rate of economic growth to adequately feed, educate, and motivate its people, it can develop human capital to bring many returns. The growing demands for consumer goods from an expanding and increasingly productive population can fuel the entire productive process.[1]

Until 1974, both Ethiopia and Kenya followed a roughly similar pattern of modernization. Both were oriented toward Western Europe and America and gave priority to broadly based economic development. While the state dominated the expansion of infrastructure, it did so with the aim of providing increasing scope for private enterprise and individual initiative in agriculture, industry, trade, and services. By the end of 1974, the military junta that had deposed Emperor Haile Selassie in September had drastically altered

[1] See my earlier essay comparing the two countries, "The Economic Development of Kenya and Ethiopia, 1950-1974, an Essay in Comparison," in Tadesse Beyene (ed.), *Proceedings of the Eighth International Conference of Ethiopian Studies, Addis Ababa, 26-30 November 1984*, ELM Publications, Huntingdon, Cambs, England, 1988.

Ethiopia's economic course. It committed itself to an authoritarian, state-dominated socialist system with limited and declining scope for private initiative.

In 1978, Kenya also experienced the demise of a long-established, paternalistic leader—President Jomo Kenyatta—but with none of the consequences that shook Ethiopia in the years following 1974. President Kenyatta went through a much longer period of physical decline than Haile Selassie, but had prepared for his succession more consciously and successfully than the Ethiopian emperor did. Daniel arap Moi assumed the leadership of Kenya within the framework of the established constitutional structure with relatively few changes in the governing elite and none of immediate significance in the governmental system. No break occurred in economic or social policy, or in the country's international orientation.

Thus Kenya maintained continuity of government structure, administrative establishment, and economic philosophy during the entire decade, while Ethiopia underwent radical changes. Comparison of the two countries' performance is therefore of interest not only in a regional context but as a measure of the ability of two contrasting economic and political systems to advance development and modernization objectives and cope with unexpected problems.

In the decade following 1974, both Ethiopia and Kenya had to face certain serious difficulties, the causes of which they were unable to influence. These included problems arising from (a) adverse international economic developments, such as petroleum price increases and fluctuating commodity prices, and (b) natural disasters, primarily severe drought. Difficulties in the politico-military sphere, on the other hand, cannot be classified as having been entirely beyond the capacity of leaders to control or influence. Ethiopia suffered severely from internal rebellion, provoked in large part by opposition to the economic, social, and political changes decreed by the military junta and by the inability of revolutionary leaders to deal with regional and ethnic disaffection. Kenyan leaders were able to effect a transfer of leadership and make periodic policy adjustments in the framework of a relatively open political system. The country remained free of insurgency and serious political disaffection until 1982, when a coup was attempted by air force officers. It had no mass support and was quickly suppressed without permanent adverse consequences except for those who participated in it.

Ethiopia's internal disorder enticed Soviet-armed Somalia to invade in 1977. For more than a year, Ethiopia was enmeshed in major combat operations on two fronts: the Ogaden and Eritrea. The revolutionary government was able to regain control of the national territory only by virtue of massive Soviet bloc arms assistance, which resulted in

enormous expansion of its armed forces. By 1978, the country's military establishment had grown to seven times its size before the 1974 revolution. An uneasy truce was achieved on Ethiopia's border with Somalia in 1978, but the Eritrean and other regional rebellions, though waxing and waning, have never been overcome. Since 1974, the country has had to give priority to military requirements.

Kenya was not unaffected by the warfare and political commotion which enveloped the Horn of Africa in 1977-1978. Somalia advanced territorial claims against Kenya as well as Ethiopia and supported low-level insurgent activity in northeast Kenya. Though this problem reached its apogee at a time when President Kenyatta was in an advanced stage of decline, Kenya's leaders demonstrated skill in protecting the country's interests by consolidating military assistance relationships with the United States and other Western countries. The resultant expansion of the country's armed forces was extremely modest, however, and had minimal impact on Kenya's economy because priority was given to improving technology rather than expanding manpower.[2]

ECONOMIC COMPARISONS, EARLY 1970S

During the 25 years preceding the Ethiopian revolution of 1974, Kenya had already achieved considerably more economic dynamism and self-propulsion than Ethiopia during this period. This was not entirely the result of Kenya's colonial inheritance. Nor are all detailed comparisons to Ethiopia's disadvantage. Ethiopia's highway expansion program was on a par with Kenya's. Ethiopian Airlines exceeded by far any comparable capability in Kenya or anywhere else in sub-Saharan Africa. Higher education was more advanced in Ethiopia, but Kenya was far ahead in mass education and expansion of literacy.

Ethiopia was expanding electricity production at a much higher rate than Kenya, 22.7 percent annual increase in the decade before 1974 versus 9.3 percent. Moreover, though per capita energy consumption was much lower in Ethiopia, it was increasing more rapidly. Ethiopian foreign trade was only one-third as large as Kenya's in 1974 but it was basically in balance. Ethiopia was attracting foreign investment capital at approximately the same rate as Kenya. Both countries enjoyed a low rate of indebtedness in proportion to GDP: Ethiopia, 1.2 percent; Kenya, 1.7 percent.

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[2]Kenya's military expenditures in relation to GNP increased from 1.7 percent at the beginning of the decade to 4.8 percent at midpoint in the decade and leveled off at 3.4 percent at the end. This was still lower than Ethiopia's 3.9 percent at the beginning of the decade, which rose to 9.6 percent by middecade and never fell below 8.4 percent subsequently. See Appendix, Table 5.

By 1974, per capita GDP in Kenya was three times Ethiopia's level.[3] Rates of both industrial and agricultural growth were double those of Ethiopia. Colonial effort and investment in Kenya created a strong base from which accelerated modernization benefiting much of the population could proceed, but these advantages could have been squandered by misguided policies, incompetence or neglect. Kenya's leaders had the good sense to capitalize on the country's inheritance. Ethiopia had gained some infrastructure from the brief period of Italian occupation, but education was totally neglected during this period. Recovery of Eritrea almost doubled Ethiopia's industrial base, but by the end of the 1960s rebellion there limited the economic gain. Ethiopia's armed forces were five times the size of Kenya's in 1974: 45,000 as against 9,000. Ethiopia allocated 20.2 percent of its budget to defense in comparison with Kenya's 6.7 percent.[4]

In both countries there was recognition that agricultural development had to be accelerated simply to feed rapidly growing populations, let alone provide a basis for increased export and development of domestic industry, but Kenya was far ahead of Ethiopia in facing up to this task. A single statistic demonstrates the difference in degree of modernization of agriculture: Fertilizer applied per hectare of cultivated land averaged 22.4 kilograms in Kenya as against four-tenths of a kilogram in Ethiopia.

While most of the desert and lowland areas of Kenya were as untouched by development as the outlying lowlands of Ethiopia, the highlands, where most of the country's population was concentrated (as in Ethiopia), had already reached a comparatively high level of modernization. Moreover, most of the population in the countryside enjoyed access to elementary education and social and medical services. Population was increasing more rapidly in Kenya, though Ethiopia's population in 1974 was thought to be only slightly more than double Kenya's at that time. It is now evident that it was closer to three times Kenya's: 35.5 million vs. 13.5 million in 1975.

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[3]According to World Bank calculations, \$126 vs. \$357 in 1981 dollars. In light of the upward revision of Ethiopian population estimates as a result of the 1984 census, Ethiopia's 1974 per capita GDP was probably about \$110. See Appendix, Table 1, for additional comparisons as of 1984.

[4]See Appendix, Table 4.

II. KENYAN ECONOMIC DEVELOPMENT, 1975-1984

During the first 11 years after Kenya's independence (1964 through 1974) its GDP increased by an average of almost 7 percent per year. The petroleum price increase that followed the 1973 Yom Kippur War only temporarily affected Kenya's growth: A boom in world coffee prices compensated for the brief decline and Kenya's GDP averaged 8.5 percent during the years 1976-1978. Then stagnation set in and turned into recession as a result of drought, a sharp drop in world coffee prices, and accelerating inflation. The 1979-1983 Moi Economic Plan was designed to restore a high rate of growth—an average rate of 6.3 percent during its five years—and "eliminate poverty" through four strategies:

1. Increase income-sharing opportunities by creating employment in rural areas (1.5 million new jobs by 1983)
2. Expand agricultural development
3. Revise exports and standardize tariffs
4. Gain greater benefits for the state from private investment without destroying investor incentives.[1]

Until 1978 Kenya was self-sufficient in food and had developed a significant processed food export capacity. Grain imports became necessary and restrictions on imports of consumer and capital goods were imposed in 1979. Falling coffee prices and rising unemployment soon made it apparent that plan objectives could not be met. The growth target for 1980-1981 was reduced to 5.4 percent and for 1982-1983 to 4.5 percent. These targets proved to be optimistic, for growth fell almost to zero by the end of 1982, and per capita growth, given the 4 percent rate of population increase, became sharply negative. The air force officers who attempted a coup in 1982 cited economic stagnation, corruption, and mismanagement as justification for their action.

President Moi appointed a high-level commission to recommend measures for regaining economic momentum. Headed by a respected economist, Philip Ndegwa, it recommended an immediate reduction in governmental expenditures, improvement of management, and strict financial controls. It criticized excessive government investment in

[1]Norman N. Miller, *Kenya, The Quest for Prosperity*, Boulder, Colorado/London, 1984, p. 111.

unprofitable commercial and industrial ventures and urged abandonment of employment-creation schemes that ignored productivity considerations. The Moi government took these recommendations seriously. On IMF urging, Kenya devalued its currency by 17 percent. Imports were restricted. These corrective measures produced rapid results, and economic growth rose to 3.3 percent by the end of 1983. The readiness of Kenya's leadership to make rapid economic adjustments greatly enhanced Kenya's ability to withstand the serious drought which struck in 1984 and continued into 1985.

As of 1984, 80 percent of Kenya's people depended on agriculture for a livelihood, and the overwhelming majority of these were small private farmers engaged in intensive cultivation of basic food crops. Government policy aimed at regaining self-sufficiency in maize, the staple food grain, by 1989 by increasing acreage, seed quality, and double-cropping. It also encouraged expansion of livestock raising. Agriculture accounted for 31 percent of GDP in 1984 and provided a major share of exports: primarily coffee, tea, and animal products, many produced on large private commercial farms. Other major sources of foreign exchange earnings were petroleum products (all refined from imported oil) and tourism—362,000 foreign tourists came to Kenya in 1980. Tourism suffered a temporary slump after the 1982 coup attempt but recovered quickly. Various measures succeeded in reducing the import/export gap.[2]

Industry and manufacturing accounted for 33 percent of Kenya's GDP in 1984 and were the fastest growing sectors of the economy with increasing export potential. The country's basic approach to industry, nevertheless, has remained relatively autarkic, and much of the substantial foreign investment in Kenyan manufacturing was based on expectation of profits from an expanding and protected domestic market.

Kenya had already become an international industrial and commercial service center during the 1960s. By the end of the 1970s it had attracted a total of $860 million in foreign investment. This process continued, though at a slower pace, in the 1980s. As of 1984 more than 350 foreign and multinational corporations had operations in Kenya and another 250 had sales representatives. At the same time the number of small local enterprises engaged in manufacturing, trade and services increased steadily during the 1980s. The service sector accounted for 48 percent of Kenya's GDP in 1984. Central government and local efforts to encourage small-scale industry and services in provincial towns had been markedly successful; nevertheless, 50 percent of Kenya's industrial capacity was concentrated in and around Nairobi and another 20 percent in Mombasa.

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[2]For the impressive results, see Appendix, Table 7.

Kenya continued to attract substantial amounts of bilateral and multilateral aid and credit. As of 1984, over 500 projects and programs totaling $450 million were under way. The Moi government took pride in the country's entrepreneurial ethic and self-help spirit and its worldwide reputation as a symbol of successful African capitalism. Nevertheless, it continued to play a major role in the economy with 47 enterprises wholly owned by the state and a further 36 in which the state held a controlling interest. While state marketing boards and regulatory bodies often attracted criticism for inhibiting the working of the market, these enabled the government to implement constructive policies which brought inflation down to 9.1 percent in 1984 from 14.6 percent in 1983. Finding employment for the rapidly growing labor force continued to be a major challenge. Some 22,000 new jobs were created in the modern industrial and service sector in 1984 and 200,000 in the urban informal sector.[3] Close links between urban workers and the countryside continued to mitigate the unemployment problem.

[3]As used in Kenya, the urban informal sector includes employment in trade, handicrafts, and small-scale manufacturing.

III. ETHIOPIA'S ECONOMY UNDER SOCIALISM, 1975-1984

During the five years preceding 1974 (1969-1973), Ethiopia's GDP had grown at an average rate of 4.5 percent, having reached a peak of 6.8 percent in 1970. This was a respectable accomplishment considering the obstacles to rapid growth the country still faced, especially the low productivity in the traditional agricultural sector. Though the third five-year plan (1968-1972) had for the first time given serious attention to modernization of peasant agriculture, measures to encourage it required time and substantial foreign aid to be effective. Controversies over the role of commercial agriculture and land reform continued to preoccupy both Ethiopian officials and foreign advisers to the eve of the revolution.

Eritrea contributed less to the country's development than had been anticipated. In spite of substantial creation of new industry in Shoa and to a lesser extent in Hararge during the 1960s, Eritrea still accounted for a good third of the country's industrial capacity. Italian and Israeli investment, as well as indigenous Ethiopian capital, had helped expand and modernize both industry and commercial agriculture in Eritrea during the 1960s, and prospects for significant exports of fresh and processed food and other consumer goods to Europe and the Middle East appeared good. Profitable exports, however, which depended on availability of transport through the Suez Canal, suffered a serious blow when the canal was closed as a result of the 1967 war. In the years following, increasing insurgency in Eritrea, clandestinely supported by various communist and radical Arab governments, both reduced economic activity and caused diversion of Ethiopian resources to expanding but frustrating counterinsurgency efforts.

The famine of 1973-1974, embarrassing as it was for the imperial regime, had little direct economic effect, for the regions where famine occurred were marginal to the economy as a whole. But since Ethiopia, like Kenya, imported all of its petroleum, the 1973-1974 oil price increase had an immediate negative effect. Rather than absorb the cost of increased oil imports, the imperial government attempted to pass them on to consumers; Addis Ababa taxi drivers and truckers immediately protested.

Wavering government response to economic stress encouraged political agitation which combined with dissatisfaction in military units in Eritrea and in the south to create a revolutionary atmosphere. The inability of the ruling elite to respond to the growing popular outcry for more competent leadership created a vacuum soon filled by a loosely organized military committee made up of junior and noncommissioned officers. Gaining strength

through the summer, this Provisional Military Administrative Committee (PMAC), popularly known as the Derg, deposed Haile Selassie in September 1974.

Derg leaders justified their seizure of power by accusing the imperial regime of oppression, corruption, and responsibility for economic stagnation. They promised broadened political participation and accelerated modernization. By the end of 1974 the dominant elements in the Derg had committed the revolutionary regime to two courses of action with fateful consequences for the country's subsequent political and economic history:

1. In November, they defeated those who were trying to negotiate a settlement of the rebellion in Eritrea; most significantly, they killed Aman Andom, the Eritrean general who became head of state on Haile Selassie's deposition. The Derg committed itself to suppressing dissent in Eritrea by military means.
2. Impatient Derg members who favored reduction of Ethiopia's relations with the West and reorientation toward the communist world, influenced by Marxist intellectuals, many of whom had returned to Ethiopia from abroad, moved decisively to restructure the economy and society. Major Mengistu Haile Mariam led the dominant Derg faction, which proclaimed "Ethiopian Socialism" on December 20, 1974.

Initially, Ethiopian Socialism appeared to combine everything from aspects of Maoism to elements of Swedish social democracy. In retrospect, it appears plausible that Mengistu and his closest supporters aspired from the beginning to a warm relationship with the USSR and hoped that adopting a Soviet-style political and economic system would ensure Soviet support. If this was indeed their calculation, it was much too simple. The Kremlin was heavily committed to Somalia and increased military and economic aid there from 1974 onward.[1] Moscow was unsure of the staying power and ideological dedication of Derg leaders. So Derg radicals had to content themselves with strong propaganda support from Moscow while continuing to depend on U.S. military aid and Western economic support. If any African state was regarded by Derg radicals and Marxist intellectuals as a model for Ethiopia's economic development, it was Tanzania. Kenya's successful African capitalist model held no appeal.

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[1]See Paul B. Henze, "Arming the Horn, 1960-1980," in *Proceedings of the Seventh International Conference of Ethiopian Studies*, Uppsala, Sweden/East Lansing, Michigan, 1984, pp. 637-656.

During 1975, a series of decrees nationalized most major industries and foreign investment. Rural land reform gave the state title to all rural land. Commercial agricultural undertakings were turned into state farms. Most urban real estate was confiscated by the government. Ethiopia's growth, which had slowed in 1974 to 1.6 percent, fell to zero in 1975. Per capita GDP, of course, became negative. The Ethiopian labor movement was suppressed, and most professional organizations were subjected to ideological pressure.

By the beginning of 1976, the Derg had lost control of most of Eritrea. Rebellion was spreading in Tigre and in several other parts of the north. In Addis Ababa, rivalry between various radical political factions intensified. Several originally favored Marxist intellectuals fell out with key Derg figures. The Derg itself was rent by murderous infighting. The civilian Marxist Ethiopian People's Revolutionary Party (EPRP) eventually became the object of a campaign of oppression by the Derg, which was termed the Red Terror.

Government authority deteriorated, but measures aimed at socialist transformation of the economy continued. In return for promises of Soviet military aid at the end of 1976, Mengistu ended the military aid relationship with the United States a few weeks later.

Somali President Siad Barre, concluding that Ethiopia was on the verge of collapse, invaded in summer 1977. Since most of the country's military forces were concentrated in Eritrea, Somalia was able to occupy the Ogaden and penetrate to the edge of the highlands, bringing Harar and Diredawa under siege in the fall. The Ethiopian Air Force, thanks to its American F5-E fighter-bombers, was able to eliminate the Somali Air Force, but many Ethiopian ground units disintegrated. The Somalis were pushed back, thanks to a South Yemeni contingent, massive Soviet weapons deliveries, 1500 Soviet specialists, and 18,000 Cubans. More than 200,000 additional Ethiopian troops were rapidly recruited and trained.

The cataclysmic events of 1977-1978 resulted in the militarization of Ethiopian society and a drain on economic resources that became chronic as insurgencies in Eritrea, Tigre, and elsewhere in the northern part of the country persisted. It is not surprising that GDP growth fell again to zero in 1978. During the five years 1974-1978, GDP had increased by an average of only 1.7 percent per year. Even with war losses, population doubtless increased by at least 2.5 percent a year during this period.

Though application of many revolutionary measures had moderated at the height of the Somali war, the close alliance with the Soviet Union, which was consolidated as a result, intensified Mengistu's determination to complete a Soviet-style economic system.[2] During

[2]It took him considerably longer to be convinced of the advantages of a Soviet-style Marxist-Leninist vanguard party. The intense factional rivalry of the 1976-1978 period and

the late 1970s and early 1980s a series of decrees further restricted private initiative in industry and commerce and expanded the role of the state in all sectors of Ethiopian life.

The National Revolutionary Development Campaign was proclaimed to mobilize the population for heroic economic tasks. State farms were given absolute priority for agricultural investment and collectivization of all private farming was proclaimed as the government's ultimate aim, though not immediately pursued. Good weather, however, made it possible for individual peasants to bring in good harvests. The government also made strong efforts to get industry back into production, especially in Eritrea, where most of the subprovincial capitals were back under central government control by the end of 1978.

The world coffee market continued relatively favorable until 1980, though the target of 100,000 tons in coffee exports could not be reached. Nevertheless, coffee accounted for 60 percent of Ethiopia's exports during this period. Other exports remained far below prerevolutionary levels. Only 25,000 tons of pulses could be gathered for export in 1980, in contrast to 144,000 tons in 1973.

The GDP grew by somewhat over 5 percent in both 1979 and 1980, i.e., at approximately the average level of the last five prerevolutionary years. This justified the contention that state socialism offered promise of a growth rate at least equivalent to what had been reached under the previous regime and with broader spread of benefits to the entire population. The Derg took pride in the extension of health services, the expansion of education, and the sharp reduction in illiteracy. These gains were accomplished with less than half the level of foreign aid and credit—no more than $6 per capita per year—that had prevailed before 1974.[3] Expectations of high levels of Soviet and Soviet bloc economic assistance failed to materialize, though the Soviet Union continued to supply arms and military equipment in amounts that averaged more than half a billion dollars per year.[4]

Several factors combined to dampen economic growth in 1981, some of them inherent in the economic system the Derg was imposing on the country. Some regions of the country experienced low rainfall. Peasants retained their produce for their own consumption. The

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his disillusionment with the majority of Ethiopian Marxist intellectuals left Mengistu extremely wary of any party structure that he might not be able to control. When the Ethiopian Workers' Party was finally proclaimed in September 1984, it was still primarily an institutionalization of the Derg.

[3]Ethiopia has always ranked near the bottom among African countries in foreign assistance, which averaged only $13.80 per capita (in current dollars) during the period 1961-1970 in comparison with $56.90 for Kenya and $90.00 for Somalia; the average for Africa as a whole was $44.90. See Paul B. Henze, "Arming the Horn, 1960-1980," *loc. cit.*

[4]See Appendix, Table 6.

agricultural procurement and marketing system did not provide incentives for higher production. The land reform of early 1975 had breathtakingly cut through decades of debate about Ethiopia's traditional land tenure systems: The Derg ignored bureaucrats' reservations, legal inhibitions, and foreign advisers' often conflicting counsel and simply nationalized all land. Each peasant was given the right to cultivate up to ten hectares and dispose of his produce as he wished. The initial response of the peasantry was positive.[5]

By the beginning of the 1980s, however, the peasants' enthusiasm had waned as they realized that they did not really own the land, that the socialist state's attitude toward them, as private producers, was at best indifferent and might well be hostile. State farms and the few collectives that had been established enjoyed all the state's favors even though almost none produced at a profit; individual farmers were severely discriminated against in the provision of seeds, fertilizer, and extension services. The peasant associations set up in 1975-1976 were increasingly treated as arms of rural administration through which delivery quotas at low prices were levied and peasants pressed to contribute to government programs.

Derg pronouncements made clear that the ultimate aim was a completely "socialist"—i.e., collective—agricultural system. Though specific circumstances varied greatly from one part of the country to another, the Derg's approach to agriculture did not generate a peasant mentality that encouraged self-propelled growth. Instead,

> having appeased the peasant's hunger for land or removed the landlord's stranglehold over him, reform may...promote the further peasantisation of rural society, whereby the peasant world turns inward rather than outward, widens the gulf between it and the rest of society, and denies the emergence of new productive energy and new social actors.[6]

During this same period industrial growth slowed, in large part because previous accomplishments in production had frequently been based on overuse of machinery and equipment and postponement of maintenance. Spare parts were now exhausted. Money for imports was scarce. The economy was increasingly affected by the cumulative effects of brain drain among technicians and specialists that had been occurring for several years. In

[5]In many parts of the country, however, particularly the traditional Amhara and Tigrean heartlands in the north, the majority of the peasantry opposed the changes and rebelled. Land nationalization has never been fully implemented in several northern provinces.

[6]Dessalegn Rahmato, *Agrarian Reform in Ethiopia*, Uppsala, Sweden/Trenton, New Jersey, 1984/1985, p. 101.

Eritrea insurgents regained momentum with adverse effects on the region's economy. In Eritrea and elsewhere, small-scale industry, much of it still in private hands, had first been neglected and then increasingly subjected to negative and restrictive regulation by the Derg. From 1982 onward, efforts were made to stimulate it, but the creative initiative of craftsmen, small-scale manufacturers, and traders had by this time largely shifted to the underground economy, which began a marked expansion.

The performance of building and construction enterprises was especially disappointing, in part the natural consequence of shortage of imported supplies and equipment. Highway expansion programs fell behind schedule. Originally scornful of foreign investment, the Derg now reversed course and promulgated a joint venture code at the beginning of 1983. It brought no response. World coffee prices declined by 25 percent in 1981, severely affecting export income. Restrictions on movement and employment of seasonal labor limited the coffee harvest. Ensuring petroleum supplies in face of increasing shortage of foreign exchange was difficult.

As part of an effort to exploit hitherto neglected sources of foreign exchange, the Derg allocated funds to construct new tourist hotels and promote tourism, but in the framework of a rigidly nationalized hotel and services system. The program was beginning to show slight promise when a combination of natural and political factors produced the great famine of 1984-1985.

IV. CONTRASTING RESPONSES TO DROUGHT AND FAMINE

KENYA: AN OUTSTANDING SUCCESS

Rains failed in Kenya in 1984, affecting almost the entire country. Government officials realized by midyear that the country's food supply was seriously threatened. The President's office established an interministerial Drought Response Committee which took immediate steps to calculate the grain deficit and begin ordering imports. The committee consulted foreign advisers and potential donors, estimated port capacities, and established transportation requirements. It decided that insofar as possible normal commercial distribution channels would be used to supply food to areas that were likely to experience the most acute shortages. Affected rural populations would be encouraged to remain in place, no camps would be established, and no special feeding arrangements would be made. The public was kept informed of government actions. The problem the country faced was neither exaggerated nor minimized. No sense of panic developed. People felt confident the government had their interests at heart.

By mid-1985, 850,000 tons of grain had been imported. More than 60 percent of it came through normal commercial channels and was paid for by the Kenyan government. Donor grants supplied 35 percent. All of this food was distributed through normal sales outlets at normal prices. Thus, the country avoided black-marketeering and diversion to nonpriority uses. Because Kenya did not permit any of its people to reach the point of starvation and rural families did not leave their normal areas of residence, no needs developed for emergency medical services and supplies of blankets, clothing, and temporary shelters. Thus, the framework of rural life was not disrupted, and when the rains came again in 1985, farmers went back to work with no needs other than seeds to sow.

Except for occasional routine newspaper reports, the world heard almost nothing of Kenya's drought. There were no hordes of refugees on the march, no camps populated by skeletons, no orphans, nothing dramatic for television cameras to focus on. So the world failed to realize—and the few who did quickly forgot—that Kenya had been threatened by famine and coped with the problem with remarkable effectiveness. A subsequent study of Kenya's experience concluded:

> Analysis of the Kenya drought response experience provides more than a rare example of a government's successful effort to prevent famine. It offers insights of potential use in challenging and improving current conventional

> prescriptions for responding to food shortages, especially in Africa. There has been a tendency to overlook the quietly effective action taken by some governments in averting...catastrophes. Successes...by virtue of their non-crisis nature do not draw attention, so they go unrecognized and their significance unappreciated.[1]

ETHIOPIA: A DISMAL FAILURE

Ethiopia's food deficit in 1984 was almost exactly the same as Kenya's: 900,000 tons. Because Ethiopia's population was more than twice Kenya's, from the viewpoint of net shortage it can be said that Kenya's situation was twice as serious.[2] Furthermore Ethiopia, with a much larger area and more varied climatic conditions, was not universally affected by drought, though rainfall deficit in the northern provinces was a problem for several years, especially in 1984.

Ethiopia possessed an experienced and internationally respected governmental agency—the Relief and Rehabilitation Commission (RRC), set up before the revolution to deal with the 1973-1974 famine—to monitor the food situation in precarious areas. Thus, machinery existed to engage in the kind of planning done in Kenya. Insurgency in the parts of Ethiopia most severely affected would have complicated relief operations under the best of circumstances, but the insurgents hardly wanted the populations under their control to starve. Drought alone does not automatically produce famine. As Dawit Wolde Giorgis, head of the RRC for three years before his defection in October 1985, declared: "We called it a drought problem, but it was more of a policy problem. Drought only complicated the situation."[3]

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[1]J. M. Cohen and D. B. Lewis, "The Role of Government in Combatting Food Shortages: Lessons from Kenya 1984-85," in M. Glantz (ed.), *Drought and Hunger in Africa*, Cambridge, 1986.

[2]For additional statistics, see Appendix, Table 1.

[3]Interview with Clifford D. May of the *New York Times* cited in *Encounter*, September-October 1986, p. 24. In his book, *Red Tears: War, Famine and Revolution in Ethiopia*, Red Sea Press, New York, 1988, Dawit Wolde Giorgis provides a wealth of firsthand detail on the manner in which Derg leaders ignored the 1984 famine in its initial stages. More comprehensive information based on detailed geographic research has been provided by Mesfin Wolde Mariam, *Rural Vulnerability to Famine in Ethiopia: 1958-1977*, New Delhi/Addis Ababa, 1984, and in "Northern Shoa and Wello—Background Paper on a Development Strategy for the Problem of Vulnerability to Famine," paper for the FAO Investment Centre, Addis Ababa, 1985.

The main facts about the Great Ethiopian Famine of 1984-1985 are already part of the historical record: The Derg leadership, though repeatedly warned of the impending disaster, ignored warnings and pretended that no threat existed. Until mid-September it gave priority to organizing celebrations of the tenth anniversary of the 1974 revolution and establishment of its Workers' Party. When a few weeks later internal pressures and international publicity combined to force Chairman Mengistu to admit the seriousness of the crisis, millions of people were already on the move in search of food and more than 200,000 are estimated to have died.

By the time the enormous Free World relief effort came to an end in 1986, at least nearly $2 billion worth of food, medical supplies, clothing, and tents, thousands of transport vehicles, and hundreds of volunteer workers had been mobilized and sent to Ethiopia. Delivery of this assistance to those who required it often involved complex and rancorous negotiations with party and government officials, giving credence to allegations that some elements in the Derg were exploiting the food shortage to punish, intimidate, or eliminate populations sympathetic to insurgents.

Soon after Mengistu admitted the seriousness of the famine, he announced a massive resettlement scheme under which 1.5 million persons were to be moved to new lands on the western and southwestern periphery of the Ethiopian plateau. The Soviet Union, though it had provided negligible famine relief, endorsed this scheme and supplied trucks and planes to carry it out. Resettlers were hastily selected and quickly moved.

The operation clearly involved coercion in varying degrees. Conditions in many of the resettlement sites in remote parts of Kaffa, Illubabor, Wollega, and Gojjam were difficult. Many of the sites were poorly prepared. Some resettlers died en route; others became ill and died after arriving in lowland climates to which they were not accustomed. Eventually sizable numbers fled to Sudan. Peasant resistance, adverse international publicity, and serious problems in the resettlement areas all combined to force Chairman Mengistu to declare a moratorium on resettlement after somewhat more than 600,000 people had been moved.

Villagization, a parallel program with even more far-reaching implications for the future of Ethiopia's rural population, had already begun on a relatively small and selective scale by the time the Great Famine developed. In the course of the famine, the government committed itself to a rapid acceleration of this effort, pressing millions of peasants in the most productive parts of the country which had not been seriously affected by famine to move to large villages. The government claimed that the primary purpose of villagization

was to provide the rural population with better services and thus eventually enable the people to increase their productivity. Even the casual observer could see, however, that the primary advantage for the authoritarian regime was the opportunity to exercise tighter control over both the people and their produce. In view of the regime's long-declared intention to move toward collective agriculture, it was also clear that villagization was an important step toward this objective.

Villagization was not as drastically disruptive and coercive a process as resettlement and cost few lives, but there was little evidence of peasant enthusiasm for the new style of life and work and almost no possibility for those who did not want to move to resist being villagized for longer than a few months. There was also little reason to believe that villagization would increase agricultural production—which should have been the objective of any change in agricultural policy in light of the famine experience.

The contrast between Kenyan and Ethiopian response to drought, food shortage, and threat of famine could hardly have been greater. Though both countries faced the continuing challenge of providing food for their rapidly growing populations, Kenya approached the challenge rationally and stood a fair chance of achieving some degree of success. The fact that Ethiopia had to face a repetition of the 1984-1985 famine crisis again in 1987-1988 demonstrated how little its authoritarian leaders—now openly calling themselves communists—had learned. As long as they persist in their present policies toward agriculture and in efforts to subdue dissidence by force, they are likely to drive their country deeper into disaster.

V. CONCLUSIONS

The economy of Ethiopia performed much less impressively than that of Kenya during the decade 1975-1984. The simplest measure compares gains in GNP. We have the GNP statistics compiled by each country's statistical offices. The margin of error may be larger in Ethiopia than in Kenya, but if there were a bias in Ethiopian calculations, it would in all likelihood be upward. We find little evidence of this; on the contrary, Ethiopia's statistics present a picture of an economy that has slowed, declined, and performed far below its logical potential:

GROWTH COMPARISON: ETHIOPIA-KENYA, 1975-1985

GNP Growth	Ethiopia	Kenya
1984 over 1975	18.5%	29.7%
1985 over 1975	9.7%	36.4%

During the ten years through 1984, the year in which the Great Famine was permitted to develop, Ethiopia grew only 60 percent of Kenya's rate. The most revealing comparison, however, is that for 1985, the year in which the effects of the Great Famine on the Ethiopian economy and of the drought in Kenya could be expected to become fully apparent. Ethiopia suffered a severe decline in GNP in 1985—7.4 percent. This brought its net gain for the 11 postrevolutionary years down to barely a quarter of Kenya's for the same period.

The Great Famine had a profoundly debilitating effect on the Ethiopian economy. It resulted in deaths estimated in the hundreds of thousands and in displacement of millions of people. The drought in Kenya had no damaging effect on either the population or the economy; the economy registered greater growth in 1985, as the country returned to normal, than it had during the previous four years. Kenya's political and economic system proved to be much more effective not only in dealing with potential disaster, but also in achieving growth and securing the well-being of the country's population.

Of course, the Great Famine in Ethiopia occurred in the context of multiple insurgencies which Kenya did not have to face. We cannot lose sight of the fact, however, that the insurgencies were in large part generated by the economic and social policies of Ethiopia's revolutionary government and exacerbated by that government's efforts to suppress them by military means. It is impossible to escape the conclusion, therefore, that the Ethiopian revolutionary government bears a major share of responsibility for causing or exacerbating the problems that bedevil it.

To make such observations is not to imply that Kenya has no problems or that its government's performance could not have been improved, or that Kenya's economic policies would be equally successful applied elsewhere. Kenya faces severe challenges in feeding its rapidly reproducing population. On a per capita basis, Kenya's GNP fell somewhat behind its 1975 level during the decade we have surveyed. On a per capita basis, Ethiopia's situation deteriorated more sharply. Which country moved into the latter half of the 1980s in a better position to cope with the challenges of the future? The question answers itself.

Comprehensive statistics are not yet available, but we know that Kenya has experienced no recurrence of drought and no shortage of food since 1985. Ethiopia, on the other hand, had to cope with serious shortfall in food production again in 1987 and 1988, developments that in conjunction with deterioration of security conditions throughout the northern part of the country caused a new threat of famine. The fact that famine did not develop on a large scale can be credited to timely emergency relief shipments from abroad. Ethiopia's "structural" food deficit is already projected by many observers, including Ethiopian specialists, to exceed two million tons of grain by 1992.[1] Kenya has some prospect of reaching its goal of restored food self-sufficiency if not by 1989, by the early 1990s.

A remarkable lack of realism has characterized the economic planning that Ethiopia's Marxist leaders have imposed upon a state bureaucracy, which still contains many remarkably clear-sighted and competent specialists and managers who have continued in their day-to-day work to try to moderate and circumvent the dogmatism of the political leadership. The Ten-Year Economic Development Plan reached the height of unrealism. This plan was drawn up in 1982-1983 with the aid of Soviet advisers and launched in 1984, when the top Ethiopian leadership was still trying to pretend that the threat of famine was

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[1]See Paul B. Henze, *Ethiopia's Economic Prospects for the 1990s*, The RAND Corporation, N-2857-USDP, December 1988.

illusory. This "plan" stands as a parody of the military leadership's aspirations for the country. Its optimum targets were predicated on the assumption that the country might be able to attract three to four times the level of foreign development assistance received in 1984 ($363 million)—approximately $13 billion over ten years. The drafters of the plan had no realistic basis for this expectation, above all in light of the fact that the Soviet Union has supplied so little development assistance. The overwhelming proportion of Ethiopia's development aid ever since 1974 has come from the West.[2]

Chairman/President Mengistu Haile Mariam, despite widespread popular opposition and repeated failures, has continued stubbornly to try to construct a classic Marxist-Leninist system. No Third World Marxist-Leninist economy has succeeded in creating anything but shortages, waste, and eventually severe economic crisis. First the Chinese and now the Soviets themselves are taking their system apart, subjecting it to intense criticism and trying to put it back together again—the Chinese with much greater success than the Russians because they have been more honest about the system's shortcomings and more daring in their efforts to correct them. As the Great Famine was being overcome in summer 1985, the USSR State Planning Commission (GOSPLAN) advisory group in the Ethiopian Central Planning Commission completed an evaluation of the country's economic performance and prospects.[3] The Soviets' conclusions paralleled many of the criticisms of the World Bank and Western bilateral donors. The Soviet report recommended a Soviet-style New Economic Policy (NEP), thus giving their blessing to a reform program. The Ethiopian economic planners, however, failed to seize the opportunity to seriously revise economic policies, and the systemic crisis of revolutionary Ethiopia's economy intensified.

As 1988 ended, Ethiopia remained locked into a new phase of the never-ending process of military mobilization to defeat Eritrean and Tigrean insurgents, whose apparent strength and momentum may be more a reflection of the Marxist-Leninist regime's weakness than a measure of the rebels' military effectiveness. The economy, education, and social services are suffering severely as an ever larger share of the country's meager resources are diverted to military purposes.

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[2]Ethiopia received $715 million in development assistance in 1985, but only $642 million in 1986. See World Bank, *World Development Report 1988*, p. 264.

[3]See Paul B. Henze, *Ethiopia: Crisis of a Marxist Economy (Analysis and Text of a Soviet Report)*, The RAND Corporation, R-3677-USDP, 1989, for the text and analysis of this report.

Appendix

STATISTICAL COMPARISONS

BASIC ECONOMIC AND SOCIAL INDICATORS, MID-1980S

Table 1, a sampling of the social and economic status of Ethiopia and Kenya as of 1984, the end of the first revolutionary decade in Ethiopia, highlights both differences and parallels in the two countries' development:

- Kenya's population is increasing more rapidly than Ethiopia's for three reasons: increased longevity, a higher birthrate, and a level of infant mortality not much more than half that of Ethiopia. Both countries will experience enormous population increases by the end of the century.
- To maintain their present levels of social services and provision of basic food, both countries will have to make great exertions. This will be much more difficult for Ethiopia than Kenya.
- Ethiopia lags far behind Kenya in the education of its population. Considering the relatively stagnant condition of its economy and the limitations upon resources available for investment in education, enormous exertions will be required to satisfy a predominantly young and rapidly increasing population's expectations for expanded primary and secondary education, let alone higher education.
- Kenya will have to increase its population's relatively low rate of participation in higher education if the country is to satisfy the requirements of its dynamic economy for skilled and technically qualified personnel.
- With agricultural growth averaging only 1.2 percent over 11 years before the full effect of the Great Famine of 1984-1985 was reflected in statistics, and with further setbacks since that time, Ethiopian leaders' highest economic priority should obviously be to find ways of dramatically increasing the country's production of food.
- Kenya has made striking progress expanding manufacturing. Value added in manufacturing increased by only 61 percent in Ethiopia between 1970 and 1983; during the same period in Kenya it increased by almost three and one-half times.

Table 1

BASIC INDICATORS AS OF THE MID-1980S

	Ethiopia	Kenya
Population, mid-1984	42,200,000	19,600,000
Life expectancy (per 1000), 1984	44 years	54 years
Average population growth, 1973-84	2.8%	4.0%
Infant mortality, 1984	172	92
Estimated population		
1990	49,000,000	25,000,000
2000	65,000,000	35,000,000
School attendance, 1983		
Primary	46%	100%
Secondary	13%	19%
Higher	1%	1%
Per capita GNP, 1984	$110	$310
Average annual growth, 1965-84	.4%	2.1%
Average inflation, 1973-84	4.4%	10.8%
Average GDP growth, 1973-84	2.3%	4.4%
Agriculture	1.2%	3.5%
Industry	2.6%	4.8%
Manufacturing	3.5%	6.0%
Services	3.6%	4.9%
Agriculture as % of GDP, 1984	48%	31%
Industry as % of GDP, 1984	16%	21%
Of which manufacturing	11%	12%
Services as % of GDP, 1984	36%	48%
Manufacturing value added		
1970	$282[a]	$263[a]
1983	$453[a]	$881[a]
Value of all imports, 1984	$826,000,000[b]	$1,547,000,000
Cereal imports		
1974	118,000 tons	15,000 tons
1984	506,000 tons	560,000 tons
1985	986,000 tons	365,000 tons
Food aid, 1984-85	869,000 tons	340,000 tons
Energy imports as % all exports, 1984	48%	51%
Value of exports, 1984	$417,000,000	$1,078,000,000
Coffee exported[c]	87,231 tons	96,902 tons
Value of coffee exports[c]	$264,000,000	$240,000,000
Coffee as % of all exports[c]	63.3%	22%
Value of animal & meat exports[c]	$9,950,000	$23,620,000
Net capital inflow, 1984	$193,000,000	$322,000,000
Total external debt, 1984	$1,526,000,000[b]	$3,811,000,000
Debt as % of GNP, 1984	29.5%	53.3%

(Table 1, continued)

Development assistance		
1978-83	$1,341,000,000	$2,332,000,000
1984	$363,000,000	$431,000,000
Per capita	$8.60	$22.10
As % of GNP	7.7%	7.5%

SOURCE: Unless otherwise indicated, all figures are taken or derived from the World Bank, *World Development Reports*, 1986 and 1987, and dollar values appear in 1984 dollars unless otherwise indicated.

[a]1980 dollars.

[b]Excluding military imports and debts.

[c]Data cited in each country's official statistical abstracts.

- Ethiopia's extremely low exports amounted to little more than half the value of imports in 1984. Its coffee brought higher prices than Kenya's. Dependence on coffee, which accounts for almost two-thirds of Ethiopian export earnings, puts Ethiopia in a precarious position because coffee is chronically subject to low prices and relative oversupply in a comparatively inflexible world market. Kenya's export pattern is much healthier.
- Some of the positive features in Ethiopia's economy—low inflation, low external indebtedness, and low dependence on foreign capital and external development assistance—reflect the lack of dynamism that characterized the Ethiopian economy even in the prerevolutionary period. Economic lethargy has become much more accentuated since 1974.

MILITARY EXPENDITURES, 1975-1984

The military expenditures shown in Table 2 (in millions of constant 1984 dollars) represent *only* official budget allocations to defense and related military purposes; they do not include the value of military assistance received from external sources.[1] They presumably include local costs related to the receipt and utilization of military assistance, i.e., local expenditures to support foreign advisers and foreign troops in Ethiopia.

Ethiopia's military outlays rose sharply at the end of the Somali war and remained at approximately the same high level thereafter. Kenya's military outlays rose sharply in the

[1]Statistics on military and related expenditures are from U.S. Arms Control and Disarmament Agency, *World Military Expenditures and Arms Transfers, 1987*.

same period, stabilized at approximately half the Ethiopian level, and showed a tendency to decline toward the end of the decade. Ethiopia's military outlays showed a tendency to rise, reflecting the fact that Ethiopia was still at war in Eritrea, Tigre, and other areas of insurgency. Kenya did not engage in active military operations.

The full effect of military requirements on the economy of the two countries can be obtained only by examining their relationship to total government expenditures and GNP. First, however, let us examine the pattern of central government expenditures during the decade (in millions of constant 1984 dollars), shown in Table 3.

The government of Kenya collected and spent a substantially higher proportion of the national income in the pre-1974 period than did Ethiopia. As we will see in the tables below, however, only a very small proportion of the Kenyan government's budget went for military purposes. Expenditures were concentrated instead on the development of infrastructure and provision of government services, including education and agricultural extension services, which were already more highly developed in Kenya than in Ethiopia.

In Ethiopia, it was to be expected that a socialist government taking responsibility for managing key sectors of the economy while seeking simultaneously to accelerate development and expand social services would absorb a larger proportion of the national income. On the surface this appears to have occurred: During the decade, the proportion of GNP absorbed by the national budget increased approximately 50 percent.

Table 2

MILITARY EXPENDITURES, 1975-1984[a]

Year	Ethiopia	Kenya
1975	144	66
1976	190	59
1977	228	106
1978	190	190
1979	368	238
1980	425	228
1981	404	169
1982	406	216
1983	405	211
1984	420	194

[a]In millions of constant 1984 dollars.

Table 3

CENTRAL GOVERNMENT EXPENDITURES AS A PERCENTAGE OF GNP[a]

	Ethiopia			Kenya		
Year	GNP	Exp	Percent	GNP	Exp	Percent
1975	3,733	710	19%	3,957	976	25%
1976	3,895	766	20%	3,997	1,015	25%
1977	4,002	779	19.5%	4,381	948	22%
1978	3,996	923	23%	4,681	1,314	28%
1979	4,233	986	23%	4,921	1,475	30%
1980	4,429	1,119	25%	5,194	1,490	29%
1981	4,522	1,185	26%	5,514	1,693	31%
1982	4,589	1,317	29%	5,500	1,744	32%
1983	4,805	1,721	36%	5,680	1,570	28%
1984	4,792	1,460	30.5%	5,681	1,545	27%

[a]In millions of constant 1984 dollars.

When we examine military outlays in relation to the national budget, shown in Table 4 (in millions of constant 1984 dollars), however, we see that the increase in the proportion of the GNP spent by the Ethiopian revolutionary government went in large part to *military expenditures*. There appears to have been, in fact, both a proportionate and an absolute reduction in allocations for economic development and social services.

From 1975 to 1984, Ethiopian military outlays in Ethiopia absorbed 28.72 percent of the national budget. Already comparatively high in 1975, they had almost doubled by 1980. In contrast, Kenya's military outlays absorbed 11.8 percent of the country's budget during the decade, more than doubling from a very low level at the beginning of the decade and then stabilizing at a level only slightly higher than the average for the decade. These statistics reflect the modest increase in Kenyan military manpower to a total of slightly under 20,000 that occurred in the early 1980s.

Ethiopia massively increased its military manpower following the Somali war to more than 250,000 active-duty soldiers. Since then, its military establishment has fluctuated between 200,000 and 300,000. In proportion to the country's population, this number is not large, but in proportion to the country's ability to support a modern military establishment, it represents an extraordinarily heavy and continuous burden on resources.

Table 4

MILITARY OUTLAYS IN RELATION TO THE NATIONAL BUDGET[a]

	Ethiopia		Kenya	
Year	Total Govt Expenditure	% Military	Total Govt Expenditure	% Military
1975	710	20.2	976	6.7
1976	766	24.7	1,015	5.9
1977	779	29.2	948	11.1
1978	923	20.6	1,314	14.4
1979	986	37.3	1,475	16.1
1980	1,119	38.0	1,490	15.3
1981	1,185	34.1	1,693	10.0
1982	1,317	30.8	1,744	12.4
1983	1,721	23.5	1,570	13.5
1984	1,460	28.8	1,545	12.6

[a]In millions of constant 1984 dollars.

Ethiopia's military budget is also thought to cover a substantial share of local costs for Soviet advisers and Cuban troops. Cubans totaled 18,000 in 1978 but are believed to have been reduced to about 4,500 by the end of 1984. The Ethiopian regime's desire to reduce support costs is believed to have been a factor leading to reduction of Cuban forces in Ethiopia in 1983-1985.

The maintenance and expansion of the country's military establishment consumed less than 4 percent of Ethiopia's GNP in 1975. The absorption of the large quantities of Soviet military aid in 1977-1978 and subsequent years more than doubled the proportion of GNP spent for military purposes by 1979 (see Table 5). With slight fluctuations, the proportion remained the same through the end of the decade while GNP growth slowed. Kenya's military requirements absorbed almost 5 percent of its GNP by 1979, but they have since declined.

Table 6, which shows Ethiopian and Kenyan arms imports and military aid from 1977 to 1984 (in millions of constant 1984 dollars), provides firm statistics for Kenya, as Kenya's military imports and military assistance received are a matter of public record, both in Kenya and in the supplier countries, primarily the United States and the United Kingdom. One can be less certain about the Ethiopian figures, for they are derived from Western specialists' calculations of the value of assistance received from the Soviet Union and, to a

Table 5

MILITARY EXPENDITURES AS A PERCENTAGE OF GNP[a]

	Ethiopia			Kenya		
Year	GNP	Mil Exp	%	GNP	Mil Exp	%
1975	3,733	144	3.9	3,957	66	1.7
1976	3,895	190	4.9	3,997	59	1.5
1977	4,002	228	5.7	4,381	106	2.4
1978	3,996	190	4.8	4,681	190	4.1
1979	4,233	368	8.7	4,921	238	4.8
1980	4,429	425	9.6	5,194	228	4.4
1981	4,522	404	8.9	5,514	169	3.1
1982	4,589	406	8.8	5,500	216	3.9
1983	4,805	405	8.4	5,680	211	3.7
1984	4,792	420	8.8	5,681	194	3.4

[a]In millions of constant 1984 dollars.

limited extent, from other socialist countries. Minor military purchases by the Ethiopian government from its own resources may also be included, though since 1978 Addis Ababa has had few funds to devote to this purpose and the generosity of the USSR has made resort to direct purchases for the most part unnecessary.[2]

The peak figure for 1978 represents the enormous deliveries the Soviet Union made by air- and sealift to bring about defeat of the invading Somalis. Subsequent deliveries of arms, ammunition, transport, and supplies have been used primarily for operations in Eritrea, Tigre, and elsewhere in the north and northwest.

Almost nothing is known about the terms under which Soviet arms have been supplied to Ethiopia. If they were delivered under loan arrangements, Ethiopia appears to have made no token payments of interest or principal. If they were supplied with the expectation that Ethiopia would pay for them in the future, the expectation must be illusory, for by 1984 the cumulative "indebtedness" would already have amounted to almost two years of Ethiopia's total GNP. Large deliveries have continued into 1988. The 1988 total

[2]Of $3,930,000,000 in arms supplied to Ethiopia during the years 1982-1986, the U.S. Arms Control and Disarmament Agency calculates that $3,800,000,000 (96.7 percent) came from the Soviet Union, $20 million from Czechoslovakia, and $110 million from other countries. These include perhaps Libya, Vietnam, and North Korea. See *World Military Expenditures and Arms Transfers 1987*, p. 127.

Table 6

ARMS IMPORTS AND MILITARY AID[a]

	Ethiopia		Kenya	
Year	Value	% of Exports	Value	% of Exports
1977	876	165%	64	3.4%
1978	2,220	490%	74	4.9%
1979	451	79%	123	8.1%
1980	904	171%	75	4.3%
1981	484	108%	207	15.2%
1982	620	142%	75	6.7%
1983	1,007	242%	52	5.1%
1984	1,200	288%	5	.46%
8-year total	7,762	204%	675	6.0%

[a]In millions of constant 1984 dollars.

would therefore approach $10 billion (in 1984 dollars), a sum that could not under any foreseeable circumstances either be serviced as a debt or repaid by poverty-stricken Ethiopia.

Kenya's arms imports, in contrast, have never represented more than 16 percent of its exports in any given year and have averaged about 5 percent of export earnings. With realignment of priorities, this is an amount which Kenya, if it had no other alternative, could well afford from its own export earnings. Most of the U.S. military aid to Kenya has been supplied as long-term (foreign military sale [FMS]) loans.

TRADE, 1977-1984

Table 7 shows the total value of Ethiopian and Kenyan imports and exports over the eight years from 1977 to 1984 (in millions of constant 1984 dollars).

As seen in Table 8, Kenya's level of total trade in relation to its GNP is much higher than Ethiopia's but has shown a marked tendency to decline over the eight years represented in this table. Ethiopia's trade increased, but only modestly and entirely because imports almost doubled. While Kenya's trade gap narrowed during the mid-1980s, Ethiopia's widened slowly but steadily.

Table 7

IMPORTS AND EXPORTS, 1977-1984[a]

Year	Ethiopia			Kenya		
	Imp	Exp	Gap	Imp	Exp	Gap
1977	561	531	30	2,048	1,904	144
1978	673	453	220	2,531	1,514	1,017
1979	775	571	204	2,266	1,513	753
1980	901	530	371	3,227	1,732	1,495
1981	852	448	404	2,374	1,363	1,011
1982	847	436	411	1,804	1,127	677
1983	905	416	489	1,402	1,011	391
1984	928	417	511	1,522	1,082	440
8-yr total	6,442	3,802	2,640	17,174	11,246	5,928

[a]In millions of constant 1984 dollars.

Table 8

TRADE TURNOVER IN RELATION TO GNP[a]

Year	Ethiopia			Kenya		
	GNP	Trade	Ratio	GNP	Trade	Ratio
1977	4,002	1,092	27.3%	4,381	3,952	90.2%
1978	3,996	1,126	28.2%	4,681	4,045	86.4%
1979	4,233	1,356	31.8%	4,921	3,779	76.8%
1980	4,429	1,431	32.3%	5,194	4,959	95.5%
1981	4,522	1,300	28.7%	5,514	3,737	67.8%
1982	4,589	1,283	28.0%	5,500	2,931	53.3%
1983	4,633	1,321	28.5%	5,680	2,413	42.5%
1984	4,742	1,345	28.4%	5,681	2,604	45.8%
1985	4,392	1,283	29.2%	5,976	2,360	39.5%

[a]In millions of constant 1984 dollars.

If tourism receipts were added to Kenya's export earnings, the gap would be further narrowed because of Kenya's large and steadily growing receipts. Tourism receipts in Ethiopia, consistently below the prerevolutionary level after 1974, declined further after the Great Famine.